



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Authorize the City Manager to enter into exclusive negotiations with Professional Apartment Management (PAM) Companies to develop an affordable housing project.

**MEETING DATE:** October 3, 2007

**PREPARED BY:** Community Improvement Manager

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**RECOMMENDED ACTION:** Authorize the City Manager to enter into exclusive negotiations with PAM Companies to develop an affordable housing project.

**BACKGROUND INFORMATION:** By 2004, the City of Lodi had been notified by Union Pacific Railroad (UP) that they were interested in selling of a group of parcels along East Lockeford Street, referred to as the Kentucky House Railroad line. The City has first right of refusal before UP can put that land on the market.

The City desired a portion of those parcels to allow for future expansion of the right-of-way along East Lockeford Street. There was also staff interest to explore the feasibility of an affordable housing project in that area. Initial discussions were held and staff felt that this site represented an opportunity.

A Request For Proposals (RFP) was developed and distributed to further explore the feasibility of an affordable housing project. In October of 2006, the Community Development Department distributed that RFP to 13 affordable housing developers throughout Northern California, inviting them to submit proposals for the development of an affordable housing project on a 4.587 acre site located along Lockeford Street, between Washington Street and Cherokee Lane.

The RFP for what was originally titled the Kentucky House Affordable Housing Project, identified key objectives for the project include community compatibility; ownership affordability targeted primarily to the 80% of median income level or below; high quality design and materials; and sustainable design. The RFP also asked for proposals that demonstrate strong experience with affordable housing development and showed a collaborative approach to working with the community.

While the RFP did identify a preference for owner-occupied housing, it did invite developers to identify other preferred types of housing with some rationale for their proposal, and it stated that it may be possible to target rental housing for seniors only.

The following three affordable housing developers responded to the RFP:

- Visionary Builders – Stockton
- Eden Housing – Hayward
- PAM Companies – Lodi

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APPROVED: \_\_\_\_\_  
Blair King, City Manager

Of these three developers, a total of 5 different scenarios were submitted, as both Visionary Builders and Eden Housing provided 2 scenarios each. These proposals covered a range and mix of housing tenure, including owner-occupied, multi-family rental and senior-rental units.

The project cost and financing among these proposals also varied. In the RFP, the City's contribution to this project was identified at \$1.2 million, coming from a current allocation of CDBG funds and a balance of both CDBG and HOME fund program income from our existing housing-assistance programs. Both Eden Housing and Visionary Builders contained funding gaps, which would need an additional subsidy from the City beyond the \$1.2 million already committed, to meet their total project costs. The proposal from the third developer, PAM Companies, requested no additional funding beyond the City's stated contribution.

The City Council established a special review committee to valuate the proposals comprised of two City Council members, one Planning Commissioner, and one Lodi Improvement Committee member. Each developer presented their proposals in public meetings before the Affordable Housing Proposal Review Committee. Through the course of the review of each developer's proposal, Staff also provided background information on the area surrounding the proposed development site, including comparative crime figures and demographics. Staff also provided a review of the preliminary proformas that were provided by each developer.

At the completion of those proposal meetings, site visits were made to projects that the three developers had developed or were in the process of developing, in order to better judge their product and capabilities.

Once the site visits were complete, the Affordable Housing Proposal Review Committee met to discuss their observations to that point and it was decided that each developer would have an opportunity to refine and resubmit their proposal to meet the following criteria:

- Senior Rental housing units;
- Single-story construction;
- No funding gap;
- Address concerns of providing and maintaining a safe environment for seniors;
- Demonstrate ability (from previous projects) to effect positive changes in troubled neighborhoods.

Once those revisions were submitted, Staff completed a review and the comparative results are noted on the attached Exhibit A. The review of the revised proposals found that all three developers responded accordingly to provide a single-story, senior rental housing project with adequate security features to provide a safe environment for senior residents. All three developers also provided supporting documentation regarding their experience and abilities to effect positive changes in trouble neighborhoods.

However, only one developer, PAM Companies, was able to meet the criteria regarding no funding gap in their project financing. While Visionary Home Builders listed no funding gap in their revised proposal, staff's review noted that their funding proposal called for a HUD Section 108 Loan in the amount of \$2,172,441. It was identified that the Section 108 Loan program is a loan guarantee provision of the Community Development Block Grant (CDBG) program that is available only to cities and urban counties. Any loan funds from the Section 108 Program would be guaranteed by the city's or urban county's pledge of future CDBG allocations. As such, this would not be a funding source that the developer could claim and would instead be considered an additional subsidy from the City of Lodi. Therefore, Visionary Home Builders proposal had a substantial funding gap.

Eden Housing's revised proposal identified a substantially lower funding gap of \$380,488.00, but as they were not present to make their presentation at the Review Committee's last meeting, their proposal was not considered.

At the completion of their review of the revised proposals, there was consensus from the Committee members that one of the developer, PAM Companies, put forth the best example of a quality, single-story senior housing project and that the site visit to that developer's property in Ceres earlier on in the review process was a prime example of the product desired for this site. While both of the final two developers provided documentation of their experience and track record of effecting change in troubled neighborhoods and their proposals provided security features intended to provide a safe environment for seniors, the key factors in PAM Companies' favor were the lack of a funding gap and the extensive collaborative effort that was featured in their proposal.

Therefore, with a vote of 3 -1, the Affordable Housing Proposal Review Committee approved a motion to forward their recommendation to the City Council that Professional Apartment Management (PAM) Companies, be selected as the developer of an affordable senior housing development on the railroad property site.

A summary of PAM Companies' proposal is as follows:

#### Project Description

- 71 Units
  - 56 one-bedroom units
  - 15 two-bedroom units
- Gated property.
- 24-hour on-site management.
- Motion detector lighting.
- Security cameras.
- Collaborative effort:
  - F&M Bank,
  - LOEL Senior Center,
  - Housing Authority
  - ByDesign Solutions

#### Financing

• Project Cost	\$11,535,422
• Sources	
○ Lender	\$1,386,089
○ City of Lodi	\$1.2 million
○ Affordable Housing Program (AHP) via F&M Bank	\$500,000
○ CHDO Funds via SJ Housing Auth./Villa Real	\$250,000
○ Deferred Developer Fee	\$90,209
○ <u>General/Limited Partners – 9% Tax Credit Funding</u>	<u>\$8,109,124</u>
TOTAL	\$11,535,422

PAM Companies revised proposal features a total of 15 buildings in a garden-style setting across the project site, with a total of 116 parking spaces, 80 of those covered. The building exteriors will incorporate a stone wall design and porch areas. Each unit within the project will include a washer and dryer and will be equipped with efficient EnergyStar appliances.

The proposal from the PAM Companies also features additional services for senior residents through their collaboration with other agencies and/or service providers. The LOEL Senior Center will expand their services to a satellite center at this facility, the Housing Authority will provide housing assistance programs to the senior residents and ByDesign Solutions will provide financial education, budgeting and tax services to residents at this site.

In addition, PAM Companies has entered into a purchase agreement with the owner of an adjacent property on Rush Street. The acquisition of this additional property, which currently has a vacant, substandard building upon it, will eliminate an unsightly condition and allow for additional units on the project site.

It is important to note that the financial figures provided with each proposal are preliminary at this phase of the process. As the railroad will need to have the property re-appraised and a Phase 2 environmental review will be needed to determine any potential contamination upon the properties involved in this project prior to the acquisition, the financials provided by the developer will need to be adjusted accordingly. Regardless of the outcome of the appraisal and environmental review of the properties, the City's commitment to this project remains at the \$1.2 million stated in the original proposal.

### RECOMMENDATION

It is a customary practice in affordable housing projects that the city enters into exclusive negotiations with the selected developer. The purpose of this period of negotiations is to refine the details of the project and financing. This includes obtaining a current appraisal of the land and negotiating the purchase price, including options. During this negotiation period, the developer will also be getting the required entitlements from the city such as rezone, planned development, CEQA, and will be preparing the required applications for tax credit financing.

The exclusive negotiation period for this project should run through March of 2009. In consideration of this joint effort with the City of Lodi, PAM Companies will make a good faith deposit of \$150,000, which will be used to cover development costs during the negotiation period.

**FISCAL IMPACT:** N/A

**FUNDING AVAILABLE:** N/A

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Joseph Wood  
Community Improvement Manager

Concurred: 

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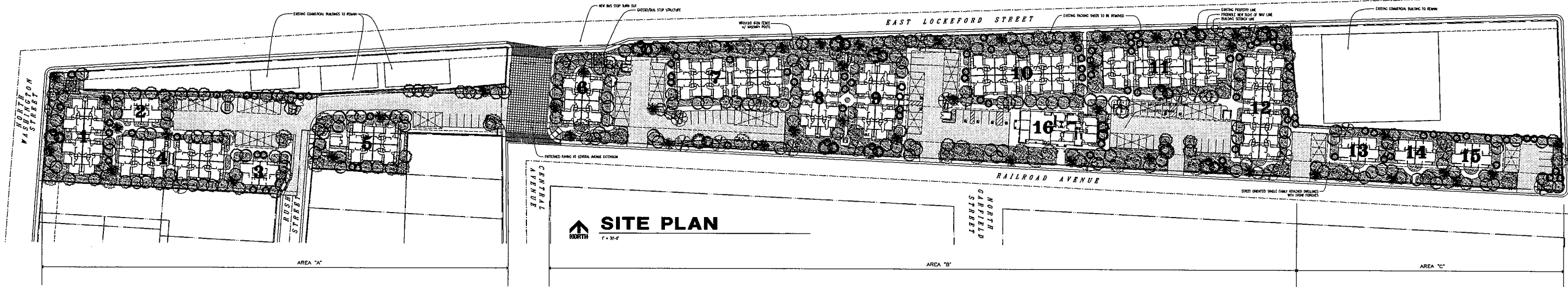
Randy Hatch  
Community Development Director

### Attachments

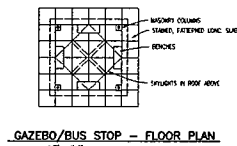
Final Proposal Evaluation Summary  
Site Plan  
Elevations

DEVELOPER	EDEN HOUSING	PAM COMPANIES	VISIONARY HOME BUILDERS
<b>Project Description</b>	84 Units 600 sq. ft. – 1 bedroom	71 Units 56 – 1-bedroom 15 – 2-bedroom	63 Units 87% - 1-bedroom 13% - 2-bedroom
<b>Financing</b>			
<b>Project Cost</b>	\$21,040,239	\$11,535,422	\$14,426,421
<b>Sources</b>	City of Lodi \$1.2 million AHP \$504,000 HUD Capital Adv. \$11,003,580 Eden Housing Inv. \$10,000 Tax Credits \$7,942,171	Lender \$1,386,089 City of Lodi \$1.2 million AHP \$500,000 CHDO \$250,000 Deferred Dev. Fee \$90,209 Tax Credits \$8,109,124	Lender \$709,240 City of Lodi \$1.2 million AHP \$315,000 CHDO \$501,728 HUD 108 Loan \$2,172,441 Deferred Dev. Fee \$87,310 Tax Credits \$9,440,701
<b>Cost per Unit</b>	\$250,479	\$162,471	\$228,991
<b>Funding Gap</b>	\$380,488	None	None identified in their proposal, but HUD 108 Loan <u>should</u> be considered additional subsidy from City of Lodi, and therefore a gap of \$2,172,441.
<b>Site Evaluations</b>	<ul style="list-style-type: none"> <li>Provides driveway easement off of Washington St. to access existing housing.</li> <li>Isolates 9-units in two buildings between Washington &amp; Rush Streets</li> </ul>	<ul style="list-style-type: none"> <li>Does not provide driveway easement to access existing housing between Rush and Washington Streets.</li> <li>Does incorporate an additional vacant, dilapidated property located on Rush Street.</li> </ul>	<ul style="list-style-type: none"> <li>Does not provide driveway easement to access existing housing between Rush and Washington Streets.</li> </ul>

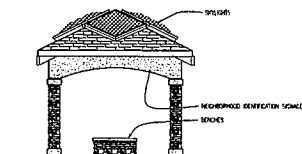
NOTE: Eden Housing failed to attend the scheduled meeting and therefore their proposal was not considered. As their proposal also had an identified funding gap, it is not likely that their proposal would have garnered support from the Committee.



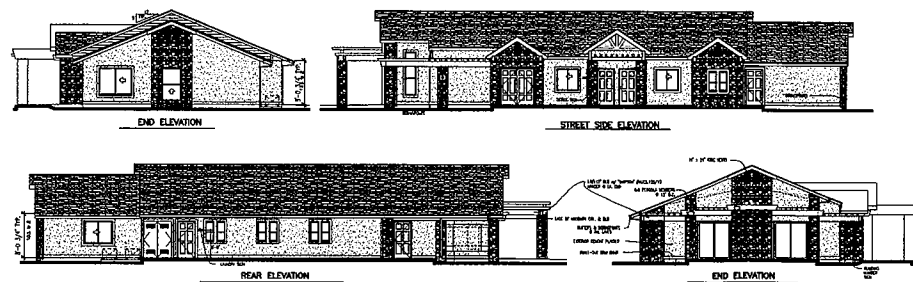
**SITE PLAN**  
1" = 30'-0"



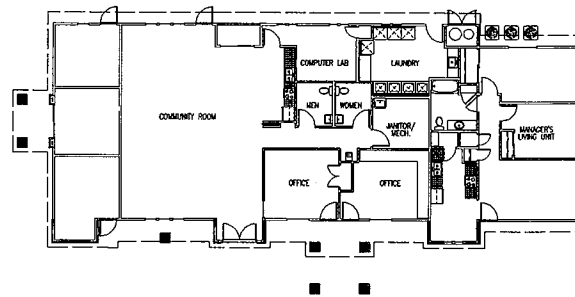
**GAZEBO/BUS STOP - FLOOR PLAN**  
1/8" = 1'-0"



**GAZEBO/BUS STOP - ELEVATION**  
1/8" = 1'-0"



**EXTERIOR ELEVATIONS - BUILDING # 15 - COMMUNITY BUILDING**  
1/8" = 1'-0"



**BUILDING # 15 - COMMUNITY BUILDING - FLOOR PLAN**  
1/8" = 1'-0"

PROJECT ANALYSIS	
<b>BUILDING AREA BREAKDOWN - AREA "A"</b>	
GROSS LAND AREA = 58,333 SQ. FT. (1.34 ACRES)	
BUILDING # 1 (4) 10' Units Each = (4) Units	
(4) TWO BEDROOM UNITS	3,464 S.F.
BUILDINGS # 2 & 3 - (2) 14' Units Each = (4) Units	
(4) ONE BEDROOM UNITS	2,660 S.F.
BUILDING # 4 - (4) 10' Units Each = (4) Units	
(4) ONE BEDROOM UNITS	3,320 S.F.
BUILDING # 5 - (4) 10' Units Each = (4) Units	
(4) ONE BEDROOM UNITS	3,320 S.F.
(1) LAUNDRY & MAINTENANCE	
(1) LAUNDRY & MAINTENANCE	288 S.F.
<b>BUILDING AREA BREAKDOWN - AREA "B"</b>	
GROSS LAND AREA = 15,274 SQ. FT. (0.35 ACRES)	
BUILDING # 6 - (4) 10' Units Each = (4) Units	
(4) ONE BEDROOM UNITS	2,660 S.F.
BUILDINGS # 7, 8 & 9 - (3) 10' Units Each = (3) Units	
(3) ONE BEDROOM UNITS	3,320 S.F.
BUILDING # 10 - (2) 10' Units Each = (2) Units	
(2) ONE BEDROOM UNITS	3,320 S.F.
BUILDINGS # 11 & 12 - (2) 10' Units Each = (2) Units	
(2) ONE BEDROOM UNITS	3,320 S.F.
BUILDINGS # 13 & 14 - (2) 10' Units Each = (2) Units	
(2) ONE BEDROOM UNITS	3,320 S.F.
BUILDING # 15 - COMMUNITY BLDG. w/ (1) "BAY" Unit	
(1) TWO BEDROOM UNIT	894 S.F.
(1) OFFICES, LAUNDRY, LOUNGE, STORAGE & MAINTENANCE	
(1) OFFICES, LAUNDRY, LOUNGE, STORAGE & MAINTENANCE	3,049 S.F.
<b>BUILDING AREA BREAKDOWN - AREA "C"</b>	
GROSS LAND AREA = 21,515 SQ. FT. (0.49 ACRES)	
BUILDINGS # 13, 14 & 15 - (2) 10' Units Each = (4) Units	
(4) ONE BEDROOM UNITS	3,320 S.F.
(4) LIVING UNITS	
(4) LIVING UNITS	3,320 S.F.
<b>TOTALS</b>	
(71) TOTAL UNITS	33,595 S.F.
PARKING	
10' CAR SPACES	98
15' CAR SPACES	2
TOTAL SPACES PROVIDED	100
INCLUDED COVERED SPACES PROVIDED	72



**L.M. BOLLER DESIGNS**  
ARCHITECTS  
P.O. Box 40799  
San Diego, California  
92161-0799

Architect:

Consultant:

Project:

**CORVINA ESTATES**  
**A 81 UNIT HOUSING PROJECT**  
**LODI, CALIFORNIA**

Revisions:

No.	Date	Description

Drawn: \_\_\_\_\_

Checked: \_\_\_\_\_

Drawing Title: **SITE PLAN**

**COMMUNITY BUILDING**

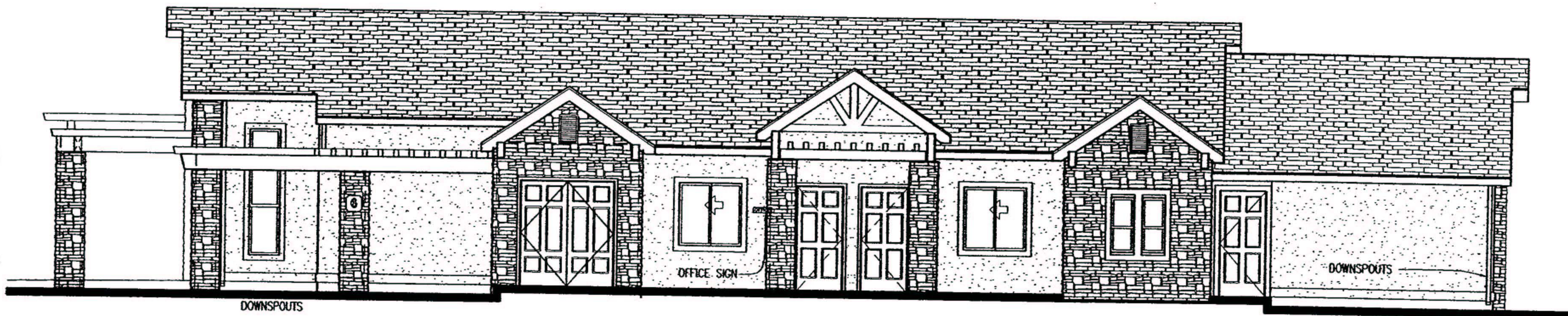
**GAZEBO**

Date: **AUGUST 1, 2007**

Drawing: **A1.1**

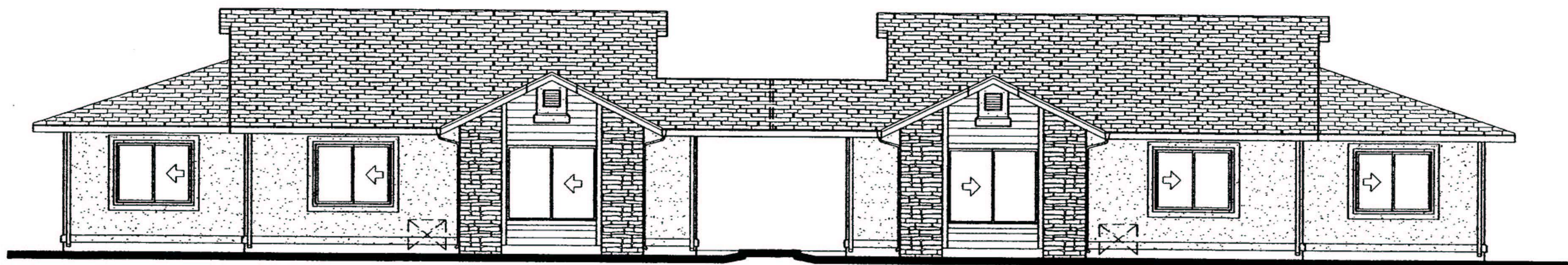
Sheet 2 of 2





STREET SIDE ELEVATION





TYPICAL FRONT ELEVATION



## **RAILROAD AVENUE SENIOR HOUSING PROJECT**

### **EXCLUSIVE FEASIBILITY STUDY PERIOD AGREEMENT**

This Exclusive Feasibility Study Period Agreement ("Agreement") is entered into between the City of Lodi, a municipal corporation ("City") and PAM Development, Inc., a California corporation ("Affordable Housing Developer"), as of October \_\_\_\_, 2007.

Whereas, City desires to encourage the development of an affordable senior housing project on properties located at 232 N. Washington, 242 Rush Street and 420 E. Lockeford Street (collectively "Property"), as detailed in the Exhibit A ("Project");

Whereas, City does not currently own but is considering allocating \$1.2 million towards the purchase of the Property and contributing said monies without cost toward the development of the Project;

Whereas, Affordable Housing Developer is only willing to expend the resources necessary to explore the development of the Project if City agrees not to contribute or transfer the Property to a third party during the Feasibility Study Period.

Now, therefore the parties hereby agree as follows:

- 1) In the event City actually acquires the Property, City agrees not to transfer the Property to a party other than Affordable Housing Developer for a period of 18 months following the execution of this Agreement ("Feasibility Study Period").
- 2) During the Feasibility Study Period Affordable Housing Developer shall make application to City for entitlements no later than January 11, 2008, and City will obtain an appraisal of the Property and shall enter into negotiation to acquire the Property no later than January 31, 2008.
- 3) Affordable Housing Developer's Deposit: Affordable Housing Developer will deposit security in the amount of \$150,000 with City in a form acceptable to the City Attorney as earnest money. Any costs incurred by City towards the Project during the Feasibility Study Period will be charged to and reimbursed from this security deposit. The Affordable Housing Developer will be provided with documentation of those transactions as they occur. If Affordable Housing Developer begins construction of the Project, the security deposit (with interest actually earned) will be applied toward the Project's development costs as set forth below.
  - a) Affordable Housing Developer shall provide certified invoices for Project development costs to the City's Finance Department for reimbursement. Affordable Housing Developer shall make its records available for audit by the City upon request for verification purposes.



b) The City's Finance Department will process and approve or deny all such requests and remit payment for approved invoices within 30 days of receipt until the security deposit is exhausted.

- 4) City agrees to negotiate in good faith exclusively with Affordable Housing Developer toward the transfer of the Property to Affordable Housing Developer for the development of the Project, for a period of 18 months following execution of this Agreement. Notwithstanding the above, City shall be under no obligation to actually acquire the Property.
- 5) This Agreement may not be assigned or transferred without the express written consent of City, which it may withhold in its absolute discretion.

IN WITNESS WHEREOF, the parties hereto, being in agreement with the terms of this writing, have set their hands as follows:

CITY OF LODI, a municipal corporation

PAM Development, Inc.  
a California corporation

By \_\_\_\_\_  
BLAIR KING  
City Manager

By \_\_\_\_\_  
DAVID J. MICHAEL  
Chief Executive Officer

ATTEST:

\_\_\_\_\_  
RANDI JOHL  
City Clerk

APPROVED AS TO FORM:

D. STEPHEN SCHWABAUER  
City Attorney

By \_\_\_\_\_  
JANICE D. MAGDICH  
Deputy City Attorney



RESOLUTION NO. 2007-\_\_\_\_\_

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE  
CITY MANAGER TO EXECUTE AN EXCLUSIVE FEASIBILITY  
STUDY PERIOD AGREEMENT WITH PAM DEVELOPMENT, INC.  
FOR RAILROAD AVENUE SENIOR HOUSING PROJECT

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute the Exclusive Feasibility Study Period Agreement with PAM Development, Inc., a California corporation, for the development of an Affordable Housing Project known as the "Railroad Avenue Senior Housing Project," attached hereto marked Exhibit A.

Dated: October 3, 2007

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I hereby certify that Resolution No. 2007-\_\_\_\_\_ was passed and adopted by the Lodi City Council in a regular meeting held October 3, 2007, by the following vote:

AYES: COUNCIL MEMBERS –  
NOES: COUNCIL MEMBERS –  
ABSENT: COUNCIL MEMBERS –  
ABSTAIN: COUNCIL MEMBERS –

\_\_\_\_\_  
RANDI JOHL  
City Clerk

2007-\_\_\_\_\_